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How to pay it

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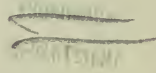
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HOW TO PAY IT;

OR,

A METHOD

FOR

DISCHARGING THE NATIONAL DEBT,

AND

LESSENING THE BURDEN OF TAXATION.

By EDWARD LEARNED.

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New-York:

JOHN W. AMERMAN, PRINTER,

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
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 The following paper, which has been prepared at the request of a distinguished member of the House of Representatives, and its views concurred in by persons eminent in finance in New-York and other cities, will be submitted for public consideration through the columns of the Bankers' Magazine for March.

Copies of this pamphlet may also be had at the office of the author, 37 William Street, New-York.



# TAXATION :

TO BE JUST MUST BE EQUAL.

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THE NATIONAL DEBT,—its present management and final payment,—involves so deeply the honor and prosperity of the country, and attracts so generally the thoughts and theories of our people, that no apology seems necessary for proposing a method which will pay its interest regularly—discharge its principal in thirty-four years, and will lighten the burden of present taxation, by a compensatory process, adjusting with proper equity the obligations of ourselves and of our successors; and for elucidating that method by such explanations, as shall tend to make its operation, details and effect clear and intelligible.

It is well understood by financiers, that a debt, bearing six per cent. interest, can be paid, both principal and interest, in a little less than thirty-four years, by a series of payments of one per cent. upon the principal, and the full amount of the interest on the original sum, each paid annually; provided the full amount of such payments (except the portions re-

quired for interest on the debt uncanceled) is applied faithfully each year, as received, to the cancellation of the debt.

Assuming that our national interest bearing debt is Two thousand millions of dollars, it is, therefore, demonstrable that it can be fully paid, principal and interest, by such a process, producing One hundred and forty millions per annum; in the ensuing thirty four years.

These annual payments of One hundred and forty millions, being similar and continuous, impose unequal taxation upon the people of the successive years of payments, who have, or will have, unequal wealth; overburdening the present, and exempting the future.

To equalize and apportion the amount of this taxation ratably and justly, upon the people of such different periods, *without diminishing the amount annually to be paid by each*, is the *purpose* of the proposed method. To do this by a process that shall effectually relieve the overburdened, without over-taxing the exempted, is its *effect*.

The power through which this is to be accomplished is the Government, acting as an Adjuster; by an issue of its obligations, in the form of Adjustment Bonds, to those making over-payments, and by the collection of such bonds from those who would otherwise pay less than their due proportion.

The machinery by which this is to be done is the Currency—Governmental or Bank—either or both; which is to be so arranged, that, without affecting the circulation, or in any manner disturbing its relations to the people or the business of the country, it may be used as a medium of conveying to the people thereto entitled, and to every and each of them, their just proportions of such Adjustment Bonds, and at a time when they will be available and useful, in compensation for taxes overpaid.

The National Wealth, present and prospective, has been assumed as a proper basis for determining the ability of the people to discharge the debt, and also for adjusting their respective equities, upon the theory of a ratable apportionment.



The following table, prepared from calculations made by Mr. Sheppard Homans, the accomplished Actuary of the Mutual Life Insurance Company of New-York, exhibits for each year the assumed wealths; the tax paid annually, (One hundred and twenty millions for interest, and Twenty millions for cancelling fund,) whereby the debt is extinguished; the burden ratably apportioned on the basis of wealth; the amounts of over and under payments; the adjustment bonds due for such over-payments, and their retirement from such under-payments.

Debt of \$2,000,000,000.

YEARS.	Assumed National Wealth.	Annual Tax requisite to pay Interest and Principal of Debt in 24 years.	Adjusted equitable apportionment of 140 millions, <i>pro rata</i> with assumed wealth.	Over-payment, to be compensated by Adjustment Bonds.	Under-payments applicable to payment of Adjustment Bonds.	Adjustment Bonds.	Interest on Adjustment Bonds.
	Millions	Millions					
1	25,000	140	74,353, <sup>000</sup>	65,647, <sup>000</sup>		65,647, <sup>000</sup>	3,939, <sup>000</sup>
2	26,000	140	77,327,	62,673,		132,259,	7,936,
3	28,000	140	83,275,	56,725,		196,920,	11,815,
4	29,000	140	86,250,	53,750,		262,485,	15,749,
5	30,000	140	89,224,	50,776,		329,010,	19,741,
6	32,000	140	95,172,	44,828,		393,579,	23,615,
7	34,000	140	101,120,	38,880,		456,074,	27,364,
8	35,000	140	104,094,	35,906,		519,344,	31,161,
9	37,000	140	110,042,	29,958,		580,463,	34,828,
10	39,000	140	115,991,	24,009,		639,300,	38,358,
11	41,000	140	121,939,	18,061,		695,719,	41,743,
12	43,000	140	127,887,	12,113,		749,575,	44,975,
13	45,000	140	133,835,	6,165,		800,715,	48,043,
14	47,000	140	139,784,	216,		848,974,	50,938,
15	50,000	140	148,706,		8,706, <sup>000</sup>	891,206,	53,472,
16	52,000	140	154,654,		14,654,	930,024,	55,802,
17	55,000	140	163,577,		23,577,	962,241,	57,735,
18	57,000	140	169,525,		29,525,	990,459,	59,428,
19	60,000	140	178,447,		38,447,	1,011,440,	60,687,
20	63,000	140	187,370,		47,370,	1,024,757,	61,486,
21	66,000	140	196,292,		56,292,	1,029,951,	61,797,
22	70,000	140	208,188,		68,188,	1,023,560,	61,414,
23	72,000	140	214,137,		74,137,	1,010,837,	60,650,
24	75,000	140	223,059,		83,059,	988,428,	59,306,
25	78,000	140	231,981,		91,981,	955,753,	57,345,
26	81,000	140	240,904,		100,904,	912,194,	54,732,
27	85,000	140	252,800,		112,800,	854,126,	51,248,
28	88,000	140	261,723,		121,723,	783,651,	47,019,
29	92,000	140	273,619,		133,619,	697,051,	41,823,
30	95,000	140	282,541,		142,541,	596,333,	35,780,
31	99,000	140	294,438,		154,438,	477,675,	28,661,
32	103,000	140	306,334,		166,334,	340,002,	20,400,
33	107,000	140	318,231,		178,231,	182,171,	10,930,
34	112,000	140	333,101,		193,101,		

NOTE.—Proof column omitted for want of space.

From this table it appears that the people, prior to 1882, who pay one hundred and forty millions each year, furnish large sums in excess of their equitable proportions, (upon the hypothesis of a ratable distribution of the entire burden upon the whole wealth of the thirty-four years,) and the people thereafter, who also pay one hundred and forty millions annually, thereby furnish *very much less* than their equitable proportion.

It is proper to remark in this connection, that this table, (which is computed at a six per cent. rate of interest for the adjustment bonds,) and also the assumed wealths of the several years, and the amount of present indebtedness, are used and presented *only as illustrations* of the principle, operation and effect of an equitable adjustment, and are not to be considered as arbitrary essentials to the method in either particular.

If the *principle* is approved, *its adaptation to the purpose* may be arranged as the public interests may require.

As the public at large, the real parties interested, may fail clearly to understand the method, from the foregoing statement of its general features, it is proper that its standpoint be established, its surroundings exhibited, and its workings and results shown by comparisons with other plans, and with more minuteness of detail than if the suggestions were addressed exclusively to those who have made finance a business or study.

All are aware that the Country has emerged from a vast, protracted, almost an exhaustive civil war, with its industries deranged, its commerce paralyzed, and some of its political systems and theories more or less distorted. The struggle was for national existence; and great as has been the cost, the sacrifices and evils of that struggle, the nation survives, and stands "purified as by fire," with the energies of its people unabated, ready and eager to achieve a "manifest destiny," which shall place it in the front rank of the civilized world.

Its liberal and beneficent institutions, the resources of its soil and climate, the vast treasures of its forests and its

mines, and the exhaustless energy of its people, assure for the future a greatness unparalleled even in its own history, and promise a population and a wealth almost too vast for imagination.

Bright as are these prospects, they are dimmed by a cloud of overhanging debt, which, gathering intensity from our indecision, distracted counsels, diversities of interests, and political differences both as to the obligations of the debt and our ability to discharge it, causes damaging apprehensions among those who hold our obligations, but who do not appreciate our resources, and our determination to maintain our national faith untarnished.

This debt undeniably rests as a sacred obligation upon the nation. It was created, not as attaching merely to its creators or their immediate successors, but as a *national obligation*; for the nation as it then was—as it now is—and as it is to be hereafter.

The annual interest upon that debt is merely an *incident* of the debt itself, in no wise differing in character and in the sacredness of its obligation, and like it, was assumed not only for the then immediate present, but in behalf of the nation, past, present and future.

The burden of both principal and interest being national and continuous, must be so managed that every obligation, for which the public faith is pledged, will be literally fulfilled, and a policy must be adopted which will not only assure this result to ourselves, and to the world at large, but will make that assurance certain against all reasonable apprehension or doubt, by removing all motives for violating the sacredness of the obligation.

The system which will best conduce to this end must recognise among its cardinal principles—

1. The *obligation* of the nation.
2. The *determination* to discharge that obligation wholly and completely within a reasonable time.
3. The present and prospective *ability* of the nation to fulfill that determination.

4. The *faithful application* of that ability to its purpose, by a process based on equal justice, as between the people of the nation now and hereafter, requiring from each such, and only such proportion as is paid by every other. A method based upon such principles, just in its conception and equitable in its operation, proportioned alike to the ability of the whole people, cannot fail to be accepted and endorsed by a nation which accords and demands "equal justice to all," without regard to time or place, race, color or condition.

#### PRESENT AND FUTURE WEALTH MUST SHARE THE BURDEN.

A method for managing and paying the public debt, involving these principles, *must necessarily draw upon the future as well as the present* for its means of payment. Precedents for this are abundant in the daily transactions of ordinary life.

The Farmer and the Manufacturer, the Mechanic and the Merchant, alike lean upon the future in developing the present. The Farmer cultivates new fields; the Manufacturer adds to his spindles; the Mechanic enlarges his workshops, and the Merchant builds new ships, in view of prospective wants and wealth, relying upon the future for reimbursement, thereby extending trade and commerce, and promoting the prosperity of the populations to be affected by such enlargements.

Other features of such a method prevail in larger transactions, when associations of Men, Corporations, Communities and States engage in enterprises of great present cost, but of estimated prospective value. Canals, Rail-Roads, Water-works and other enterprises for general public improvement, owe their existence to anticipated as well as present wants and wealth, and their realized benefits amply vindicate the wisdom of the policy. Cases are by no means rare, where posterity has been drawn upon, not only for the principal disbursed in these enterprises, but also for large portions of the maturing interest; and the Credit and Capital so secured and utilized have been in a great degree dependent upon the exhibits of future resources, business and wealth.



It is not the province or purpose of this paper, otherwise than for useful comparison, to refer to the plans of others for managing the public debt and protecting the public faith. That all *may* fail is possible. That this method may share their fate is not impossible. It is offered more distrustful of an ability to explain fully and clearly its principles and details, than of its just and practical adaptation to the great purpose of re-establishing our credit at home and abroad ; of advancing our bonds to a par with gold in all the markets of the world, thereby enabling and securing a return to specie payments, without special legislation ; and of lightening the burden of taxation upon a people, who will then cheerfully pay their just proportions of the nation's debt, without the compulsory machinery belonging to arbitrary power, and repugnant to our system of government.

Without pretending to accuracy, our interest bearing debt is assumed at two thousand millions of dollars, and our national wealth, in 1869, at twenty-five billions of dollars ; with an increase at an average rate of five per cent. per annum until 1890, and at an average rate of four per cent. per annum from 1890 to 1902, amounting then to one hundred and twelve billions of dollars.

Errors in these estimates of the debt, or of the national wealth, do not affect the soundness of the theory, or the just operation of the method, inasmuch as the greater the debt the greater the equity of an apportionment ; and the probable wealth each year being a more reliable indication of ability to pay, than any other which can now be as safely availed of, its *rate of increase* instead of its amount regulates the apportionment of the payments upon the ability to pay.

#### DEBT PAID IN THIRTY-FOUR YEARS BY A CANCELLING FUND.

The payment within a period of thirty-four years has been assumed, because that period is about what is recognised as one generation ; is about the time in which a cancelling fund of one per cent. will extinguish a debt, and because it is a time, within which (by a method which exhibits a determination, shows a process, and proves an ability) the debt

may be paid, and such confidence be inspired abroad as will advance our bonds to par.

The policy of availing of such a process, which cancels debt each year corresponding to its means, seems too patent to require special advocacy; that its operation, however, may be readily understood by all, the following table is given by way of example, upon a debt of two thousand dollars:

### TABLE

*Showing how a CANCELLING FUND OF ONE PER CENT., with the DISENGAGED INTEREST, extinguishes a Debt bearing six per cent. interest in less than 34 years.*

Years.	Debt.	Annual Payments.	Interest.	Cancelling Fund.
1	\$2,000 00	\$140 00	\$120 00	\$20 00
2	1,980 00	140 00	118 80	21 20
3	1,958 80	140 00	117 53	22 47
4	1,936 33	140 00	116 18	23 82
5	1,912 51	140 00	114 75	25 25
6	1,887 26	140 00	113 24	26 76
7	1,860 50	140 00	111 63	28 37
8	1,832 13	140 00	109 93	30 07
9	1,802 06	140 00	108 12	31 88
10	1,770 18	140 00	106 21	33 79
11	1,736 39	140 00	104 18	35 82
12	1,700 57	140 00	102 03	37 97
13	1,662 60	140 00	99 76	40 24
14	1,622 36	140 00	97 34	42 66
15	1,579 70	140 00	94 78	45 22
16	1,534 48	140 00	92 07	47 93
17	1,486 55	140 00	89 19	50 81
18	1,435 74	140 00	86 14	53 86
19	1,381 88	140 00	82 91	57 09
20	1,324 79	140 00	79 49	60 51
21	1,264 28	140 00	75 86	64 14
22	1,200 14	140 00	72 01	67 99
23	1,132 15	140 00	67 93	72 07
24	1,060 08	140 00	63 61	76 39
25	983 69	140 00	59 02	80 98
26	902 71	140 00	54 16	85 84
27	816 87	140 00	49 01	90 99
28	725 88	140 00	43 55	96 45
29	629 43	140 00	37 77	102 23
30	527 20	140 00	31 63	108 37
31	418 83	140 00	25 13	114 87
32	303 96	140 00	18 24	121 76
33	182 20	140 00	10 93	129 07
34	53 13	54 17	1 04	53 13
				\$2,000 00



As this process will apply to any indebtedness, it is evident that by it the National Debt, as assumed, can be fully paid, principal and interest, in less than 34 years, by the payment, each year, of 140 millions, and by the use, in the aggregate, of less than 4,760 millions.

The payment of the annual interest *only*, and the devolution on the next generation of the principal of the debt, would require four thousand and eighty millions for such *interest alone* for thirty-four years, showing a loss to the country, as between these plans, of more than one thousand three hundred and eighty millions, omitting interest on the differences of annual payments.

The payment of the annual interest and a *lesser* Cancelling Fund than one per cent. would necessarily extend the time of payment—and thereby enhance the possibilities of future entanglements, which might disturb its operation, and would materially weaken the probabilities of an early appreciation of the debt to par, so essential to our prosperity, and relied upon as one effect of the plan suggested.

#### BASIS OF A JUST APPORTIONMENT.

To establish a basis of a just apportionment of the payments required to be made, the present and prospective National Wealths have been assumed and calculated from such data as seemed reasonable—rejecting the estimates, and the ratios of increase, of extremists in either direction. Our wealth, from 1850 to 1860, increased in a ratio of about nine per cent. per annum; that of England increased about three per cent. during the same period. An increase of less than six per cent. per annum has been taken from 1860 to 1869, of five per cent. from 1869 to 1890, and of four per cent. from 1890 to 1903.

If these ratios of increase are extravagant, the effect upon the apportionment based upon them would be to decrease somewhat the amounts of Adjustment Bonds to which the people making over-payments would be entitled; *the theory and justice of the plan*, however, would not be impaired.

That our National Wealth will increase, and much more rapidly than that of England hitherto, cannot admit of question.

On the basis of annual payments of one hundred and forty millions each year, the people of 1869, having a wealth of say twenty-five billions, would pay fifty-six cents on every one hundred dollars. Those of 1887, having a wealth of sixty billions, would pay but twenty-three and one third cents on every one hundred dollars; and those of 1902, having a wealth of one hundred and twelve billions, would pay but twelve and a half cents on every one hundred dollars. A ratable apportionment according to ability would require the people of each period to pay twenty-three cents per one hundred dollars of national wealth.

It is evident, therefore, that any system of payment which exacts from the people of the immediate present the same amount annually as shall be exacted from the future, operates unequally, and is unjust, provided all are equally interested in the issue; that the burden has not been self-imposed, and that it should be jointly borne.

These inequalities, so manifestly unjust, not only prejudice the business of the country and impair its prosperity, but exact an amount of taxation which induces an alarming discontent in a people unused to taxation, and peculiarly restive under its inquisitorial machinery, and which already foreshadows and finds advocates for a most discreditable alternative.

#### ALTERNATIVE EXPEDIENTS INEFFECTUAL.

A reduction of the rate of present taxation, to correspond with future ability to pay, would fail to afford the necessary revenue for payment of interest alone, and cannot, therefore, be relied upon.

An increase of the rate in a like ratio—which would pay off the debt more rapidly—would increase the inequalities of taxation, and would signally fail to meet a popular response on the part of a people who regard the debt as an obligation for which they are not primarily responsible, and for

the sudden extinguishment of which, *by themselves alone*, they can find no sufficient reason, especially as their exhaustion and sacrifices would further exempt from a just share of the burden not only their own posterity, but also an immense European immigration yet to come.

A very suggestive objection to immediate payment, and significant commentary on such policy, so far as hitherto acted on, may be found in the assumed increase of wealth; if, as assumed, such increase for the next ten years shall amount to but from 1,000 to 2,000 millions per annum. Argument seems useless, to show that the debt cannot be paid more rapidly than is herein proposed, without impairing our national prosperity in a degree proportionate to such increased payment, rendering the burden intolerable, and culminating in inevitable disaster.

The theory of a new loan at a reduced rate of interest, which would, in a degree, furnish present relief, as a theory, is meritorious; but, with the existing debt depreciated far below its coin value, such plan of relief seems impracticable. A new loan can scarcely be placed on terms which would justify its issue.

The proposed method, by its Adjustment Bonds, gradually but effectually prepares the way for this general relief, and at the same time furnishes every tax-payer with specific and immediate relief from the burden, but not from the payment of his tax due.

In every aspect of the case, a method which will render the payment of the interest regular and sure, and the full extinguishment of the debt within a proper time certain, beyond reasonable contingency, and that will make the payments equal and proportionate to the ability to pay, is at least worthy of deliberate consideration and investigation.

#### OVER-PAYMENTS COMPENSATED FOR BY ADJUSTMENT BONDS.

The amounts of Adjustment Bonds to be issued to the tax-payers in compensation for their over-payments, will be the difference between the equitable tax due and the 140 millions of tax collected each year, until terminated by the

equality of the equated, and the demanded amounts. The amount to be received by each tax-payer, each year, will be equal to such proportion or per centage of his tax paid as the over-payments of such year shall bear to the entire 140 millions, and will be received by him, at the time of his tax payment, in the form of a Government scrip, to be converted at the holder's option into such bonds, or to be disposed of for money at about the ratable value of the Bonds. For example, the over-payments in 1869 are by the table 65 millions ; this amount, being  $46\frac{1}{2}$  per cent. of the 140 millions required to be paid, every tax-payer will receive such scrip for  $46\frac{1}{2}$  per cent. of the tax he shall then pay, and the burden of his payment will be reduced  $46\frac{1}{2}$  cents on every dollar paid, provided the bonds into which such scrip is convertible shall be worth par, as they undoubtedly will be.

It may be supposed that this yearly issue of Adjustment Bonds, however equitable, or beneficial to the tax-payers, or salutary in its effect upon public sentiment in reconciling the people to payments of taxes that are thereby made less onerous, will so augment the volume of the national indebtedness as to impair rather than improve its market value at home and abroad. Such would not be the fact, and such should not be the effect. A modification of the drain upon the people, and the equalization of the burden ratably upon all the wealth, giving the same number of dollars of tax on every thousand dollars of wealth for the entire period requisite for its full payment, should rather be regarded as a guarantee that the debt will be paid ; especially in view of the fact, that the Adjustment Debt will not to its full extent be an addition to, and increase of, the present volume of debt, but to a very considerable extent will displace and be substituted for portions of the present debt, paid by the Cancelling Fund.

The aggregate uncanceled and Adjustment debts will never equal the amount of indebtedness in 1865 and 1866, nor at any time exceed 2,500 millions ; nor will it bear as large a ratio to the National Wealth as at the present, as will appear from the following table :



## TABLE

*Showing for each year, Amount of present Debt ; Amount of present Debt as reduced by Cancelling Fund ; Amount of Adjustment Debt ; Aggregate amount of present Debt uncanceled, and Adjustment Debt ; with the proportion in Dollars of each such Debt to every million of the National Wealth.*

YEARS.	National Wealth.	Present Debt.	Rate Per Million of Wealth.	Outstanding Debt Uncancelled.	Rate Per Million of Wealth.	Adjustment Debt.	Rate Per Million of Wealth.	Aggregate Out-standing and Ad-justment Debt.	Rate Per Million of Wealth.
	Billions.	Millions.	Dollars.	Millions.	Dollars.	Millions.	Dollars.	Millions.	Dollars.
1869	25	2,000	80,000						
1870	26	2,000	76,923	1,980	76,153	66	2,539	2,046	78,692
1871	28	2,000	71,429	1,959	69,965	132	4,714	2,091	74,679
1872	29	2,000	68,965	1,936	66,758	197	6,793	2,133	73,551
1873	30	2,000	66,667	1,913	63,766	262	8,734	2,175	72,500
1874	32	2,000	62,500	1,887	58,969	329	10,281	2,216	69,250
1875	34	2,000	58,823	1,860	54,706	394	11,588	2,254	66,294
1876	35	2,000	57,143	1,832	52,343	456	13,029	2,288	65,372
1877	37	2,000	54,054	1,802	48,703	519	14,027	2,321	62,730
1878	39	2,000	51,282	1,770	45,385	580	14,872	2,350	60,257
1879	41	2,000	48,780	1,736	42,341	639	15,585	2,375	57,926
1880	43	2,000	46,512	1,701	39,558	696	16,186	2,397	55,744
1881	45	2,000	44,444	1,663	36,955	750	16,667	2,413	53,622
1882	47	2,000	42,553	1,622	34,511	801	17,042	2,423	51,553
1883	50	2,000	40,000	1,580	31,600	849	16,980	2,429	48,580
1884	52	2,000	38,461	1,534	29,500	891	17,134	2,425	46,634
1885	55	2,000	36,364	1,487	27,036	930	16,909	2,417	43,945
1886	57	2,000	35,088	1,436	25,193	962	16,877	2,398	42,070
1887	60	2,000	33,333	1,382	23,033	990	16,500	2,372	39,533
1888	63	2,000	31,746	1,325	21,032	1,011	16,047	2,336	37,079
1889	66	2,000	30,303	1,264	19,151	1,035	15,530	2,289	34,681
1890	70	2,000	28,571	1,200	17,143	1,030	14,714	2,230	31,857
1891	72	2,000	27,778	1,132	15,722	1,024	14,222	2,156	29,944
1892	75	2,000	26,667	1,060	14,133	1,011	13,480	2,071	27,613
1893	78	2,000	25,641	984	12,615	988	12,667	1,972	25,282
1894	81	2,000	24,691	903	11,148	956	11,803	1,859	22,951
1895	85	2,000	23,529	817	9,612	912	10,729	1,729	20,341
1896	88	2,000	22,727	726	8,250	854	9,705	1,580	17,955
1897	92	2,000	21,739	629	6,837	784	8,522	1,413	15,359
1898	95	2,000	21,053	527	5,547	697	7,337	1,224	12,884
1899	99	2,000	20,202	419	4,232	596	6,020	1,015	10,252
1900	103	2,000	19,417	304	2,951	478	4,641	782	7,592
1901	107	2,000	18,691	182	1,701	340	3,178	522	4,879
1902	112	2,000	17,857	53	473	182	1,625	235	2,098

Under the proposed system, the public credit should be so advanced that a new debt, bearing a reduced rate of interest and to be discharged by the Cancelling Fund, could be substituted for the present indebtedness.

It may be objected that a system of payment, which discharges the entire debt prior to 1903, and thereby relieves subsequent populations, possessed of greater wealth and ability, is unfair; such objection, if tenable, is conclusive against ever paying the debt, and savors sensibly of repudiation.

#### THE CURRENCY A MEDIUM FOR DISTRIBUTING THE ADJUSTMENT BONDS.

The mode or medium by which the due proportions of the Adjustment Bonds, or their equivalents, will be distributed to the tax-payers, the proper amount to each, at the time of the payment of his tax, and irrespective of the amount of tax, is *the Currency*.

The notes or bills, whether Governmental or Bank, which enter into the uses of society or of business as money, are proposed to be printed with a marginal line or border across the face of the bill, say one-third distant from one end; the parts on each side of this border are to have such designations and numbers, common to both, as shall clearly authenticate and identify the parts when separated, as relating to each other only. Each part is to have upon its face, as now, the denomination of the note.

The promissory features of the note, which give it value as money, and also the seal, to be inscribed in such manner that the note will be destroyed as money, when the parts are separated.

These notes or bills are money, and with them the tax-payer pays his tax, as now; thereupon they become the property of the Government, and the obligation of the tax-payer is discharged. Not so that of the Government; it owes the tax-payer in Adjustment Bonds, a certain per centage of the tax paid.



To discharge this claim of the tax-payer, the tax collector, by previous direction of law, cuts this money received from the tax-payer into two parts, through the above described marginal line, and returns the larger portions to the tax-payer.

These portions are no longer money, but by operation of law are now Government scrip Certificates, convertible into Adjustment Bonds, at such rate or per centage of their face value, when money, as the Government by law shall prescribe. Such rate, as has been already shown, would be, in 1869,  $46\frac{1}{2}$  per cent. of such face value.

These scrip Certificates being convertible into Adjustment Bonds will have a present money value, relatively about equal to the value of such bonds; *and to the extent of such value will reimburse the outlay of the tax-payer.*

The tax collector retains the other or smaller portions of the bills paid him, for transmission to the Government; but they have no possible value to him, except as vouchers, or to measure the amount of his commissions.

To the Government, however, when received from the tax collector, they are evidences of the mutilation, by its authority, of an amount of its circulation, or other money, designated on the portions. This amount is immediately restored to circulation by an issue of new notes, or bills, for a corresponding amount, in substitution for those so mutilated. They are portions of notes or bills received for, and belonging to the Government, and are simply replaced by new notes of similar character, which in their stead perform their functions as money, without in any manner affecting the circulation.

The process is simple and effective, and has an element of safety from fraud or peculation, which of itself will add greatly to the resources of the country.

In the distribution of the Adjustment Bonds to the people, public safety will require that the evidence, which shall impose the obligation upon the Government to issue them, shall at some time have emanated from, or have been authenticated by the Government, and shall also be secure

against fraud or counterfeiting; such evidence, in its most safe and convenient form, will be inherent in the kind of money proposed.

Such money, to the extent that it shall be used in the payment of taxes, will possess two distinct properties: its value as money, and such additional value as will attach to its convertibility into Adjustment Bonds; hence it may in a degree promote the resumption of specie payments.

#### REQUISITE LEGISLATION.

The application of the proposed method to the revenue system of the Government will require that certain of the classes of taxation, levied for the payment of the public debt, shall be specifically brought under its operation; and upon the payment of such taxation *only* will the tax-payer receive the scrip Certificates.

The system possesses an element of elasticity which will render its adaptation to altered conditions of the country, or of its indebtedness—whether from prosperity or adversity—at once easy and effective; such legislation only being requisite as will vary the proportion of Adjustment Bonds, to be issued in any year, so as to preserve in proper accord the public welfare and the interest of the public.

#### ADJUSTMENT BONDS A BASIS FOR A PERMANENT BANKING AND CURRENCY SYSTEM.

The business of the country is so intimately interwoven with, and dependent upon a safe, uniform and reliable system of currency, that one founded on the faith and credit of the country merits, as it receives, general approbation. A method which promises to increase the stability of such a system, by fortifying that credit, and, if deemed advisable, *by substituting a non-fluctuating domestic security, as the Adjustment Bonds will then be*, for the present exponent of such credit, is commended to the consideration of the public, with the conviction that it will prove a just, effectual and practica-

ble relief to the people, and will provide a firm foundation for such a superstructure of Banking and Currency as the enlightened wisdom of the country may create, and against which, while thus sustained, the revulsions of trade, the assaults of faction, and the contingencies of the future may beat, but not prevail.

EDWARD LEARNED.

*Pittsfield, Mass., February, 1869.*













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